

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY ALGIERS IMMEDIATE

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EXDIS

E.O. 11652: GDS

TAGS: PFOR, AG, US

SUBJECT: APPROACH TO PRESIDENT BOUMEDIENE PRIOR TO PARIS
PREPCON MEETING

1. YOU SHOULD SEEK AN APPOINTMENT WITH PRESIDENT BOUMEDIENE
AT HIS EARLIEST CONVENIENCE, AND PRIOR TO THE PREPCON, TO
DISCUSS (A) THE ARAB-ISRAEL NEGOTIATING SITUATION AS
FOLLOW-UP TO SECRETARY'S MESSAGE TO BOUMEDIENE; (B) FOLLOW
UP TO UNDER SECRETARY ROBINSON'S VISIT AND (C) ATTITUDES
AND EXPECTATIONS RELATIVE TO THE PRODUCER-CONSUMER
PREPCON.

2. AS FOLLOW-UP TO THE SECRETARY'S MESSAGE ON MARCH 22,
YOU MAY SAY THAT SECRETARY KISSINGER HAS NOW REPORTED TO
PRESIDENT FORD ON SUSPENSION OF EGYPTIAN-ISRAELI
NEGOTIATIONS ABOUT WHICH HE WROTE PRESIDENT BOUMEDIENE
ON MARCH 22, AND GENERAL REVIEW OF U.S. POLICY HAS BEEN
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INITIATED. VICE PRESIDENT HAS, AS BOUMEDIENE KNOWS, MET

WITH PRESIDENT SADAT. SECRETARY HAS TOLD BOTHEGYPTIANS AND ISRAELIS THAT HE REMAINS OPEN TO ANY SUGGESTIONS THEY MAY HAVE ON HOW TO PROCEED AND WILL DO NOTHING THAT WOULD

FORECLOSE ANY REASONABLE COURSE OF ACTION. HOWEVER, U.S. MUST NOW ACT ON ASSUMPTION THAT FACTORS WHICH CAUSED SUSPENSION OF NEGOTIATIONS PERSIST AND IT IS NECESSARY TO LOOK AHEAD AND DEVELOP A STRATEGY FOR SITUATION THAT NOW EXISTS. PRESIDENT FORD HAS ENDORSED SECRETARY KISSINGER'S ASSURANCE THAT U.S. WILL CONTINUE TO INVOLVE ITSELF ACTIVELY IN EFFORT TO MOVE PEACE NEGOTIATIONS FORWARD AND WILL CONTINUE TO REGARD STRENGTHENING OF U.S. RELATIONS WITH THE ARAB NATIONS AN IMPORTANT OBJECTIVE. WE RECOGNIZE THAT PRESIDENT BOUMEDIENE HAS JUST TALKED IN RIYADH WITH KEY PARTIES TO THE NEGOTIATION AND WE WOULD, OF COURSE, WELCOME ANY IDEAS THAT HE MIGHT HAVE FOLLOWING THOSE DISCUSSIONS ON HOW PEACE EFFORTS MIGHT BE PURSUED.

3. UNDER SECRETARY OF STATE ROBINSON IN HIS VISIT TO ALGIERS POINTED OUT THAT THE USG IS VERY PLEASED BY THE RECENT EXPANSION OF ECONOMIC TIES BETWEEN ALGERIA AND THE UNITED STATES. THE USG LOOKS FORWARD TO A CONTINUED EXPANSION AND HOPES THAT AMERICAN TECHNOLOGY CAN PLAY A SIGNIFICANT ROLE IN THE ALGERIAN DEVELOPMENT PLAN. THE USG WILL DO WHAT IT CAN WITHIN THE LIMITATIONS OF ITS AVAILABLE RESOURCES TO ASSIST THE GROWTH OF THESE ECONOMIC LINKS BETWEEN OUR TWO COUNTRIES, AND IT RECOGNIZES THAT THE AMERICAN PRIVATE SECTOR CAN PLAY AN IMPORTANT ROLE IN ALGERIAN DEVELOPMENT. UNDER SECRETARY ROBINSON WISHES TO STRESS THE POSSIBILITY OF REIMBURSABLE TECHNICAL ASSISTANCE THROUGH AID OR OTHER USG AGENCIES, AND THE POSSIBLE USG ROLE AS AN INTERMEDIARY IN HELPING TO INFORM UNITED STATES PRIVATE COMPANIES OF OPPORTUNITIES FOR CONTRACTUAL ARRANGEMENTS IN ALGERIA.

4. THE USG ALSO WANTS TO CONTINUE TO FINANCE ALGERIAN DEVELOPMENT ACTIVITIES THROUGH THE EXPORT-IMPORT BANK. THE ALGERIAN DEVELOPMENT PLAN IS SO LARGE, HOWEVER, THAT ALGERIAN CREDIT REQUIREMENTS WILL PROBABLY EXCEED THE AMOUNT OF CREDIT THAT COULD BE MADE AVAILABLE FROM THIS

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SOURCE ALONE. WE EXPECT OTHER SOURCES OF FINANCING, PARTICULARLY THE WEALTHIER OPEC STATES, ALSO WILL BECOME IMPORTANT SOURCES OF CAPITAL FOR ALGERIA, PERHAPS INCLUDING PARTICIPATION IN EXIM ADMINISTERED LOANS. THE USG IS PREPARED TO COOPERATE WITH THE GOA AND U.S. COMPANIES IN ESTABLISHING PROJECTS THAT COULD COMBINE U.S. TECHNOLOGY WITH THIRD PARTY FINANCING.

5. ANOTHER EXAMPLE OF THE TYPE OF COOPERATION THE USG COULD OFFER THE ALGERIAN GOVERNMENT IS THE OPIC PROGRAM FOR INSURING U.S. ENGINEERING AND CONSTRUCTION FIRMS AGAINST CERTAIN RISKS AND THEREBY ENABLING THE U.S. FIRMS TO SUBMIT LOWER BIDS ON ALGERIAN PROJECTS.

6. ON THE QUESTION OF FOOD, THE UNITED STATES GOVERNMENT IS CURRENTLY CONSIDERING THE POSSIBILITY OF AGAIN INCLUDING WHEAT IN THE COMMODITY CREDIT CORPORATION PROGRAM. SHOULD THIS OCCUR, ALGERIA WOULD BE ELIGIBLE FOR WHEAT PURCHASES WITH THREE YEAR FINANCING AT RATES OF INTEREST COMPARABLE TO THOSE WHICH THE USG MUST PAY TO BORROW FUNDS ON THE OPEN MARKET.

7. THE USG HAS WATCHED WITH ADMIRATION ALGERIAN PROGRESS IN EMPLOYING ITS OIL REVENUES IN DEVELOPMENT PROJECTS DESIGNED TO IMPROVE THE STANDARD OF LIVING OF ALL THE ALGERIAN PEOPLE. WE BELIEVE THAT THE UNITED STATES AND ALGERIA HAVE A LARGE POTENTIAL FOR MUTUALLY PROFITABLE TRADE - CONSISTING PRIMARILY OF HIGH TECHNOLOGY GOODS FROM THE UNITED STATES TO ALGERIA AND AN INCREASINGLY DIVERSIFIED RANGE OF ALGERIAN EXPORTS, BESIDES OIL AND NATURAL GAS, GOING TO THE UNITED STATES. AS YOU KNOW, SEVERAL MAJOR LNG CONTRACTS ARE NOW UNDER RENEGOTIATION AND THEIR SUCCESSFUL CONCLUSION WOULD RESULT IN EVEN CLOSER ECONOMIC LINKS BETWEEN OUR COUNTRIES.

8. STUDYING THE OPEC "SOLEMN DECLARATION OF PRINCIPLES" WE HAVE NOTED THE EMPHASIS ON THE INTERDEPENDENCE OF THE DEVELOPING COUNTRIES' ASPIRATIONS FOR THEIR OWN DEVELOPMENT AND PROGRESS AND THE PROSPERITY OF THE WORLD ECONOMY, AND HAVE NOTED THE OPEC NATIONS' SUPPORT FOR A COOPERATIVE APPROACH TO WORLD ECONOMIC PROBLEMS, INCLUDING THOSE OF

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THE POORER LDC'S. OUR OWN POLICY SHARES THIS SAME EMPHASIS, AND WE CONCUR TOO IN SUCH OTHER BASIC PURPOSES AS FACILITATING THE TRANSFER OF TECHNOLOGY FROM THE MORE ADVANCED AND CAPITAL FROM THE CAPITAL SURPLUS COUNTRIES.

9. WE NOTE WITH PARTICULAR INTEREST THE PROPOSAL "TO PROMOTE THE PRODUCTION OF FERTILIZERS, WITH THE AIM OF SUPPLYING SUCH PRODUCTION UNDER FAVORABLE TERMS AND CONDITIONS, TO THE COUNTRIES MOST AFFECTED BY THE ECONOMIC CRISIS. THIS INITIATIVE, AND OUR OWN EMPHASIS ON FERTILIZERS TO MEET LDC FOOD NEEDS, APPEAR TO BE COMPLEMENTARY. AS SECRETARY KISSINGER SAID NOVEMBER 5 AT THE UN WORLD FOOD CONFERENCE IN ROME, WE VIEW FERTILIZER PRODUCTION AS "AN IDEAL AREA FOR COLLABORATION BETWEEN WEALTHIER AND POORER COUNTRIES, ESPECIALLY COMBINING THE

TECHNOLOGY OF THE DEVELOPED COUNTRIES, THE CAPITAL AND RAW MATERIALS OF THE OIL PRODUCERS AND THE GROWING NEEDS OF THE LEAST DEVELOPED COUNTRIES." WITH EXISTING PRODUCTION INADEQUATE, "NEW FERTILIZER INDUSTRIES SHOULD BE CREATED ESPECIALLY IN THE DEVELOPING COUNTRIES TO MEET LOCAL AND REGIONAL NEEDS ... ON THE BASIS OF REGIONAL COOPERATION. THE UNITED STATES WILL STRONGLY SUPPORT SUCH REGIONAL EFFORTS. IN OUR INVESTMENT AND ASSISTANCE PROGRAMS WE WILL GIVE PRIORITY TO THE BUILDING OF FERTILIZER INDUSTRIES AND WILL SHARE OUR ADVANCED TECHNOLOGY." WE WOULD LIKE TO LEARN MORE ABOUT THE OPEC PROPOSAL AND WOULD BE PLEASED TO CONSULT WITH ALGERIA AND OTHER OPEC COUNTRIES ON HOW THE U.S. MIGHT CONTRIBUTE TO ITS SUCCESSFUL IMPLEMENTATION, PERHAPS IN COOPERATION WITH EXISTING USG AID PROGRAMS IN THE LDC'S AND IN THE CONTEXT OF THE CONSULTATIVE GROUP ON FOOD PRODUCTION AND INVESTMENT ESTABLISHED AT THE WORLD FOOD CONFERENCE.

10. WE TRUST THAT THE COMING CONSUMER/PRODUCER CONFERENCE WILL REINFORCE THE POSITIVE DEVELOPMENTS IN US-ALGERIAN ECONOMIC RELATIONS OVER THE LAST YEAR. WE AGREE THAT IF THE CONFERENCE IS TO SUCCEED, THE PARTICIPANTS, ACTING ON THE BASIS OF MUTUAL RESPECT, MUST TAKE INTO CONSIDERATION THE INTERESTS OF ALL PARTIES AND ALSO THE POLITICAL REALITIES THAT WE ALL FACE. OUR APPROACH IS
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BASED ON THE ESSENTIAL NEED FOR COOPERATION AMONG ALL COUNTRIES IN AN INCREASINGLY INTERDEPENDENT WORLD. SECRETARY KISSINGER, IN COMMENTING ON THE SUBJECT IN HIS MARCH 27 PRESS CONFERENCE, SAID "WE BELIEVE THE CONSUMER/PRODUCER CONFERENCE IS BEING CONDUCTED IN THE INTERESTS OF BOTH SIDES FOR THE COMMON BENEFIT, FOR THE INTEREST OF A DEVELOPING AND THRIVING WORLD ECONOMY, WHICH IS IN THE INTEREST OF PRODUCERS AS WELL AS CONSUMERS."

11. WE AGREE THAT THE CONFERENCE MUST TREAT PROBLEMS OF INTEREST TO BOTH THE DEVELOPED AND THE DEVELOPING COUNTRIES. THE SORT OF OIL-FOCUSED AGENDA WE ENVISAGE, INCLUDING THE PROBLEMS OF ASSISTANCE TO THE MOST SEVERELY AFFECTED COUNTRIES, MEETS THIS CRITERION. AS EMPHASIZED IN THE SECRETARY'S HOUSTON SPEECH OF MARCH 1, WE RECOGNIZE THAT OTHER COMMODITY ISSUES ARE OF GREAT IMPORTANCE TO DEVELOPING COUNTRIES AND, GIVEN THE UNDESIRABILITY OF UNILATERAL ACTIONS, THAT A DIALOGUE BETWEEN CONSUMERS AND PRODUCERS ON THESE ISSUES IS ESSENTIAL. WE HAVE PLEDGED "A SERIOUS EFFORT TO FIND A CONSTRUCTIVE SOLUTION WHICH DOES JUSTICE TO THE

CONCERNS OF ALL PARTIES." OUR VIEW-- WHICH WE REALIZE
SOME OPEC MEMBERS MAY NOT NOW SHARE -- IS THAT THESE

ISSUES ARE TOO COMPLEX TO BE ADEQUATELY TREATED AT THE
PRODUCER-CONSUMER CONFERENCE, WHERE ONLY SO MUCH CAN BE
DISCUSSED EFFECTIVELY. ANOTHER MAJOR CONFERENCE, IN THE
SAME GENERAL TIME-FRAME, THE SEVENTH UN SPECIAL SESSION,
SCHEDULED FOR THIS COMING SEPTEMBER, SHOULD PROVIDE AN
OPPORTUNITY TO TREAT THESE COMMODITY ISSUES IN DEPTH. KISSINGER

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